

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

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### NOTE V – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

##### ***County Employees***

The county has four agent multi-employer defined benefit pension plans with Illinois Municipal Retirement Fund (IMRF), which provide retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Two plans are for sheriff's law enforcement personnel (SLEP) and for county employees other than SLEP. In addition, the Forest Preserve District participates in the same plans. IMRF acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan and can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or [www.imrf.org/pubs/pubs\\_homepage.htm](http://www.imrf.org/pubs/pubs_homepage.htm).

##### ***County Employees Other Than SLEP (IMRF)***

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by State Statutes. The county is required to contribute at an actuarially determined rate. The employer rate for calendar year 2008 was 9.02% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2008 was 24 years.

For December 31, 2007, the county's annual pension cost of \$12,486,243 was equal to the county's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial evaluation were based on the 2003-2005 experience study.

## LAKE COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

November 30, 2008

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#### NOTE V – OTHER INFORMATION (cont.)

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##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

###### *County Employees (cont.)*

###### *County Employees Other Than SLEP (IMRF) (cont.)*

Trend Information – County – IMRF			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 12,486,243	100%	\$ -
12/31/06	12,831,614	100%	-
12/31/05	11,556,233	100%	-
12/31/04	11,554,262	100%	-
12/31/03	1,073,591	100%	-
12/31/02	1,039,393	100%	-
12/31/01	974,837	100%	-
12/31/00	7,156,446	100%	-
12/31/99	7,268,559	100%	-
12/31/98	6,842,332	100%	-
12/31/97	6,461,593	100%	-
12/31/96	5,799,356	100%	-

###### *County Sheriff's Law Enforcement Personnel (SLEP)*

Employees participating in IMRF are required to contribute 7.50% of their annual covered salary. The member rate is established by State Statutes. The county is required to contribute at an actuarially determined rate. The employer rate for calendar year 2008 was 22.96% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The remaining amortization period at December 31, 2008 was 24 years.

For December 31, 2007, the county's annual pension cost of \$3,079,298 was equal to the county's required and actual contributions. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 11.6% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial valuation of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor. The assumptions used for the 2007 actuarial valuation were based on the 2003-2005 experience study.

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

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### NOTE V – OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *County Employees* (cont.)

##### *County Sheriff's Law Enforcement Personnel (SLEP)* (cont.)

Trend Information – County – SLEP			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 3,079,298	100%	\$ -
12/31/06	2,882,803	100%	-
12/31/05	2,757,944	100%	-
12/31/04	2,634,987	100%	-
12/31/03	2,489,329	100%	-
12/31/02	2,504,996	100%	-
12/31/01	2,345,315	100%	-
12/31/00	2,013,639	100%	-
12/31/99	1,979,814	100%	-
12/31/98	1,897,004	100%	-
12/31/97	1,453,547	100%	-
12/31/96	1,651,649	100%	-

##### *Forest Preserve District Employees*

#### **1. Plan Description**

The District's defined benefit pension plan for Regular and Sheriff's Law Enforcement Personnel (SLEP) employees provide retirement and disability benefits, postretirement increases, and death benefits to plan members and beneficiaries. The District's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent, multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained online at [www.imrf.org](http://www.imrf.org).

#### **2. Funding Policy**

As set by statute, the District's Regular and SLEP plan members are required to contribute 4.5% and 7.5%, respectively, of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2007 was 10.14% of annual covered payroll for the regular IMRF plan and 19.41% of the annual covered payroll for the SLEP plan. The District also contributes for disability benefits, death benefits, and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

## LAKE COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

November 30, 2008

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#### NOTE V – OTHER INFORMATION (cont.)

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##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *Forest Preserve District Employees* (cont.)

##### 3. Annual Pension Cost

For December 31, 2007, the District's annual pension cost of \$1,114,070 for the IMRF plan and \$213,205 for the SLEP plan were equal to the District's required and actual contributions. The required contributions were determined as part of the December 31, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0% per year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) postretirement benefit increases of 3.0% annually. The actuarial value of IMRF plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15.0% corridor between the actuarial and market value of the assets. The District's regular IMRF and SLEP plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 24 years.

Trend Information – Forest Preserve District – Regular IMRF			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 1,114,070	100%	\$ -
12/31/06	1,140,946	100%	-
12/31/05	980,194	100%	-
12/31/04	938,607	100%	-
12/31/03	736,980	100%	-
12/31/02	618,545	100%	-
12/31/01	647,564	100%	-
12/31/00	660,045	100%	-
12/31/99	607,381	100%	-
12/31/98	560,784	100%	-
12/31/97	455,668	100%	-
12/31/96	433,506	100%	-
12/31/95	408,426	100%	-

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

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### NOTE V – OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

##### *Forest Preserve District Employees (cont.)*

Trend Information – Forest Preserve – SLEP			
Actuarial Valuation Date	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 213,205	100%	\$ -
12/31/06	196,072	100%	-
12/31/05	140,413	100%	-
12/31/04	155,060	100%	-
12/31/03	131,020	100%	-
12/31/02	104,101	100%	-
12/31/01	84,438	100%	-
12/31/00	62,314	100%	-
12/31/99	59,236	100%	-
12/31/98	46,201	100%	-
12/31/97	39,376	100%	-
12/31/96	37,942	100%	-

#### 4. Funding Status and Funding Progress

As of December 31, 2007, the most recent actuarial valuation date, the Regular IMRF plan was 89.90% funded and the SLEP plan was 60.66% funded. The actuarial accrued liability for Regular IMRF benefits was \$27,915,021 and the actuarial value of the assets was \$25,096,881, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,818,140. The covered payroll (annual payroll of active employees covered by the plan) was \$10,986,888 and the ratio of the UAAL to the covered payroll was 25.65%. The actuarial accrued liability for the SLEP benefits was \$2,391,806 and the actuarial value of the assets was \$1,450,871, resulting in an unfunded actuarial accrued liability (UAAL) of \$940,935. The covered payroll (annual payroll of active employees covered by the plan) was \$1,098,427 and the ratio of the UAAL to the covered payroll was 85.66%. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## LAKE COUNTY, ILLINOIS

### NOTES TO FINANCIAL STATEMENTS

November 30, 2008

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#### NOTE V – OTHER INFORMATION (cont.)

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##### **C. COMMITMENTS AND CONTINGENCIES (cont.)**

The county has outstanding construction contracts as of November 30, 2008 in the amount of approximately \$37 million primarily for the new health and central permitting facilities. The Lake County Public Works Department has contracts in process at year end of \$3,925,664. The Forest Preserve has contracts in process at year end of \$5,387,000.

The IEPA has cited the county for operating a public water system, the Glenshire Water System, in violation of State regulations, including the absence of full and permanently conforming chlorination of the water. At this point, the parties are attempting to negotiate a consent decree that, if approved, will lead to the dismissal of the lawsuit, with the county agreeing to install a new and conforming water system and to pay a minimal fine.

Related to the above case, the residents within the Glenshire Water System have expressed opposition to paying a surcharge to pay for the construction and installation of a new IEPA-compliant water system. The residents have retained counsel to determine if any surcharges were improperly assessed. At this point, the amount of this has not been determined.

A private property owner is seeking unspecified damages from the county for refusing to amend the County/North Shore Sanitary District intergovernmental agreement for sewage disposal in order for 220 acres in the village to be served with sewer transport and treatment services by the North Shore Sanitary District. In 2008, the lawsuit was settled out of court and the private property owner was given sewer service; and an amended intergovernmental agreement was executed.

A private property owner is seeking unspecified damages from the county for refusing to amend the County/North Shore Sanitary District intergovernmental agreement for sewage disposal in order for 220 acres in the Village to be served with sewer transport and treatment services by the North Shore Sanitary District.

##### **D. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

###### ***County Employees***

The county's group health insurance plan is a single-employer self-insured health care plan administered by the county. The Plan provides limited health care coverage at 100% of the active premium rate. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. Therefore an implicit rate subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits.

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS

November 30, 2008

### NOTE V – OTHER INFORMATION (cont.)

#### D. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (cont.)

##### County Employees (cont.)

The county's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the county's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the county's net OPEB obligation to the Retiree Health Plan:

Annual required contribution (ARC)	\$ 4,264,959
Interest on net OPEB obligation	-
Annual OPEB cost	4,264,959
Contributions made	(807,620)
Increase in net OPEB obligation	3,457,339
Net OPEB Obligation – Beginning of Year	-
Net OPEB Obligation – End of Year	\$ 3,457,339

The county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contribution	Net OPEB Obligation
11/30/2008	\$ 4,265,959	18.9%	\$ 3,457,339

The funded status of the plan as of December 1, 2007, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 43,575,542
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	43,575,542
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	138,830,621
UAAL as a percentage of covered payroll	31.4%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

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### NOTE V – OTHER INFORMATION (cont.)

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#### **D. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (cont.)**

##### **County Employees (cont.)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4 percent investment rate of return and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 6 years. Both rates include a 4 percent salary inflation assumption. The actuarial value of Retiree Health Plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at November 30, 2008, was 29 years.

##### **Forest Preserve District Employees**

###### **1. Plan Description**

The District's Health Insurance Plan (the Plan) is a single-employer defined benefit health care plan administered by the District. The Plan provides limited health care coverage at 100% of the active premium rate. The State of Illinois requires IMRF employers who offer health insurance to their active employees to offer the same health insurance to disabled members, retirees, and surviving spouses at the same premium rate for active employees. Therefore an implicit rate subsidy exists for retirees (that is, the difference between the premium rate charged to retirees for the benefit and the estimated rate that would be applicable to those retirees if that benefit were acquired for them as a separate group) resulting from the participation in postemployment healthcare plans that cover both active employees and retirees. The plan operates on a pay-as-you-go funding basis. No assets are accumulated or dedicated to funding the retiree health insurance benefits.

###### **2. Funding Policy**

The contribution requirements for retired plan members and the District are established and may be amended by the Finance, Administration and Education Committee. The required contribution is based on projected pay-as-you-go funding requirements. For fiscal year 2006/07, the District's contribution, which was 100% implicit, was approximately \$7,200.

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

### NOTE V – OTHER INFORMATION (cont.)

#### D. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (cont.)

##### Forest Preserve District Employees (cont.)

#### 3. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the first year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the District's Health Insurance Plan.

	June 30, 2008
Annual required contribution (ARC)	\$ 26,280
Interest on net OPEB obligation	-
Annual OPEB cost	26,280
Contributions made	(7,200)
Increase in net OPEB obligation	19,080
Net OPEB Obligation – Beginning of Year	18,069
Net OPEB Obligation – End of Year	\$ 37,149

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 and the one preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/2007	\$ 25,269	28.49%	\$ 18,069
6/30/2008	26,280	27.40%	19,080

#### 4. Funding Policy and Actuarial Assumptions

Contribution Rates:		Actuarial Assumptions:	
Forest Preserve	N/A	Investment rate of return	4.00%
Plan Members	0	Projected salary increases	N/A
Actuarial valuation date	6/30/2007	Healthcare inflation rate	11% initial
Actuarial cost method	Entry Age		5% ultimate
	Level % of pay	Mortality, turnover, disability	
Amortization period	Closed		Same rates as IMRF
Remaining amortization period	30 years	Retirement ages	
Asset valuation method	Market	Employer provided benefits	\$200/month
			Benefit payable to age 65

# LAKE COUNTY, ILLINOIS

## NOTES TO FINANCIAL STATEMENTS November 30, 2008

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***D. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (cont.)***

##### ***Forest Preserve District Employees (cont.)***

#### ***4. Funding Policy and Actuarial Assumptions (cont.)***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### ***5. Funding Status and Funding Process***

The District did not record the Unfunded Actuarial Accrued Liability of the Annual Required Contribution to the entity-wide statements as the amounts are immaterial to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

#### ***E. JOINT VENTURE***

The County is a member of the Solid Waste Agency of Lake County ("SWALCO"), which consists of area municipalities and the county. SWALCO is a municipal corporation and public body politic and corporate established pursuant to the Constitution Act of the State of Illinois, as amended (the "Act"). SWALCO is empowered under the Act to plan, construct, finance, operate, and maintain a solid waste disposal system to serve its members. Lake County's percentage share as a member is 19.88%, which can vary with changes in population and equalized assessed valuation.

SWALCO is governed by a Board of Directors, which consists of one appointed mayor or president, trustee, or chief administrative officer from each member municipality and the county. Each director has an equal vote. The officers of SWALCO are appointed by the Board of Directors. The Board of Directors determines the general policy of SWALCO, makes all appropriations, approves contracts, adopts resolutions providing for the issuance of bonds or notes by SWALCO, adopts by-laws, rules and regulations, and exercises such powers and performs such duties as may be prescribed in SWALCO Agreement or the by-laws.

SWALCO generates revenue from user charges, maintenance fees from its members and solid waste management taxes levied by Lake County. During the year the county paid SWALCO \$29,806 in maintenance fees and \$873,582 in taxes collected. Complete financial statements for SWALCO can be obtained from SWALCO's administrative office at 1311 N. Estes Street, Gurnee, Illinois 60031-2125.